

Variable annuities seminar
Matt Ward - Defaqto

Analyst's perspective UK market landscape

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Defaqto Overview

- A leading independent financial research company specialising in rating, comparing and analysing financial products;
- Since 1994 Defaqto has built the largest whole of market product database;
- Defaqto collects and analyses more than 30,000 products from nearly 2,000 providers across banking, LPI and GI;
- Defaqto's experts validate and analyse the data and transform it into insightful information for distribution to all layers of the financial services sector.

'Third Way' landscape in the UK



Overview

- Industry issues
- Market developments
- IFA business habits
- Consumer sentiment
- Panel questions

Continued challenges ahead

- Economic climate deterring new entrants
 - Financial difficulties forcing business repositioning
 - Cost of guarantees; keeping the balance right
 - Capital reserves required
- Legislation/Regulation
 - RDR; some positives but adviser focus on business shape
 - Age 75; product and system developments required
- Potentially mainstream appeal but still niche market

Healthy activity over past 12 months

- Alternative annuity launches - LV=, Canada Life, MGM Advantage, Alico Wealth Management
- Rebranding – AEGON and Sun Life Financial of Canada
- MetLife TIP – access to SIPP investors
- AEGON – investment bond relaunch
- New market entrant expected shortly
- Competition and choice increasing

Defaqto IFA research – importance placed on retirement income products



Post-retirement product	Total importance to IFAs - 2009
Enhanced/Impaired annuity	77%
Unsecured pension	70%
Conventional annuity	63%
'Third way' products	39%
Invested annuities	36%
Fixed term annuities	35%

Key messages

- ‘Third Way’ product definitions becoming clearer
 - Investment backed annuities; bonds and pensions
 - Fixed/short term annuities
 - Invested annuities
- IFA appetite for ‘Third Way’ products but increased competition
- Further education on how to advise clients on suitability needed
- Retirement income due diligence becoming tougher

Defaqto consumer research – preference for certainty of retirement income



Retirement income certainty	Consumer preference - 2009
100% guaranteed	36%
75% guaranteed; 25% speculative	14%
50% guaranteed; 50% speculative	11%
25% guaranteed; 75% speculative	2%
100% speculative	2%
Don't know	17%

Defaqto consumer research – making pensions more attractive



Potential enhancements	Consumer preference - 2009
More of a guaranteed return	40%
Better tax incentives	29%
Being able to pass funds onto family	24%
More flexibility over benefit withdrawal	24%
More control over investments	19%
Simpler products	23%
Cheaper products	16%
None of these	25%

Key messages

- Clear consumer appetite for:
 - Secure income and guarantees
 - Retirement income flexibility
 - Passing on benefits to families
- How to move from niche product to mainstream appeal?
 - Enhance understanding of risk in retirement
 - Promote value of guarantee over cost
 - Create positive media coverage

Panel questions

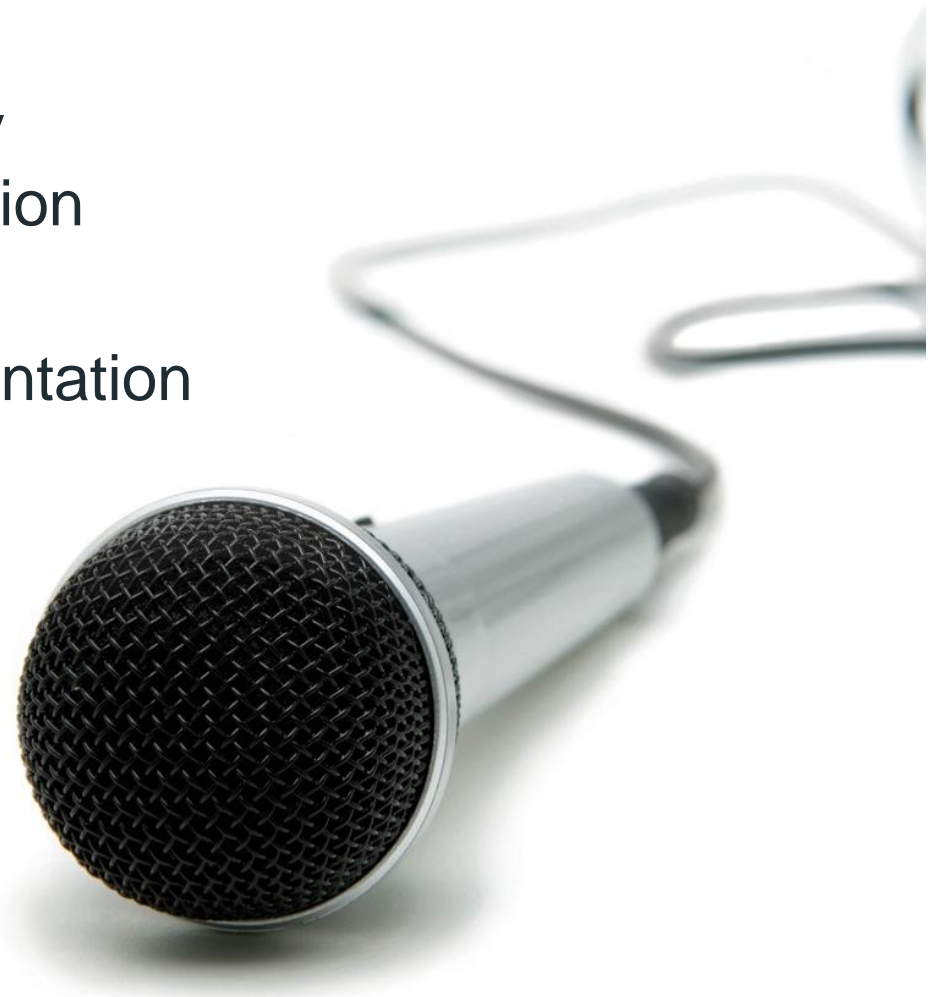
Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

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